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## Tip<sup>of</sup> the Week

Calculating college costs, locating funding, and managing the whole process can be daunting for even the most resourceful student. Offer your students some help with this college planning page from *Adventures In Education*, located at [Hwww.aie.org/HighSchool/Paying/index.cfm](http://www.aie.org/HighSchool/Paying/index.cfm)H.

## Federal updates

### More Neg Reg on the horizon

With the spring 2009 round of negotiated rulemaking (Neg Reg) just recently concluded — and the financial aid community awaiting proposed regulations resulting from those negotiations — ED has announced plans to establish additional Neg Reg committees that will begin meeting in fall 2009.

### Potential topics for negotiation

According to ED's notice in the May 26 *Federal Register*, at least two committees will be established: one to develop proposed regulations governing foreign schools, including the implementation of the changes made by the Higher Education Opportunity Act (HEOA) that affect foreign schools; and at least one other to

develop proposed regulations to maintain or improve program integrity in the Title IV programs, relating to topics such as:

- Satisfactory academic progress
- Incentive compensation paid by institutions to persons or entities engaged in student recruiting or admission activities
- Gainful employment in a recognized occupation
- State authorization as a component of institutional eligibility
- Definition of a credit hour, for purposes of determining program eligibility status, particularly in the context of awarding Pell grants
- Verification of information included on student aid applications
- Definition of a high school diploma as a condition of receiving federal student aid

### **Opportunities for community input**

ED will hold three public hearings for interested parties to make suggestions or recommendations on the proposed agenda items. The public hearings will be held on:

- June 15–16, 2009, at the Community College of Denver
- June 18–19, 2009, at the University of Arkansas at Little Rock
- June 22–23, 2009, at the Community College of Philadelphia

ED will also conduct forums after each of the three hearings to discuss how changes in its financial aid communications and processes (including the FAFSA) could improve college planning, preparation, and access. The forums will also focus on how best to leverage federal postsecondary programs to foster student educational persistence and degree attainment.

### **More information**

*Shoptalk Online* will provide regular updates to keep you informed about the progress of Neg Reg. ED's fall 2009 Neg Reg Web page, which includes the *Federal Register* notice, is available at [www.ed.gov/policy/highered/reg/hearulemaking/2009/negreg-summerfall.html](http://www.ed.gov/policy/highered/reg/hearulemaking/2009/negreg-summerfall.html).

### **ECASLA close-out reminder and upcoming webinar**

ED has issued Electronic Announcement #63, dated May 26, regarding the 2008-2009 Loan Purchase Participation Program authorized by the Ensuring Continued Access to Student Loans Act (ECASLA).

The announcement reminds FFELP participants of the following mandatory program termination and related cut-off dates applicable to the 2008-2009 Loan Participation

Program, as defined in the Master Participation Agreements (MPAs), Master Loan Sale Agreements (MLSAs), and related *Federal Register* notice:

- Deadlines to execute an MPA and sell participation interests
- Deadline for existing sponsors to execute an MLSA
- Program termination date
- Deadlines to notify ED of closeout plans
- Cut-off for final loan sales
- Timeline for closeout audit

The announcement stresses the importance to the sponsor of selling or redeeming all loans prior to termination (i.e., July 1, 2009, without an executed MLSA in place or September 30, 2009, with an MLSA) and encourages sponsors to notify ED as soon as possible of their plans to do so. ED also encourages all sponsors who do not currently have an MLSA in place to execute one prior to July 1, 2009.

### **Webinar announcement**

In Electronic Announcement #64, ED announced that it will conduct a webinar on the closeout procedures. The webinar is scheduled for Wednesday, June 3, 2009, from 2:00 p.m. to 3:30 p.m., CDT.

### **More information**

To view the complete announcements, including instructions for accessing the webinar, please visit ED's ECASLA Web page at <http://federalstudentaid.ed.gov/ffelp>.

## **Other ECASLA news**

### **Loan purchase programs**

ED has revised its post-Put reconciliations process to allow reallocations of loan funds between subsidized and unsubsidized Stafford loans that result in a zero net balance change. This change will improve the loan origination process and permit updates to allocations to reflect changes to borrower eligibility for subsidized and unsubsidized Stafford loan amounts. The updated ED Servicer Transmittal Advice Package has been posted on the NCHELP Web site at [www.nchelp.org/pages/page.cfm?id=136](http://www.nchelp.org/pages/page.cfm?id=136).

### **Asset Backed Commercial Paper Conduit**

ED has posted a Q&A document providing additional guidance on the Asset Backed Commercial Paper Conduit. The document supplements information ED has previously provided, and addresses such topics as transferability of guarantee, offset, random selection, and payment of accrued government interest on

subsidized Stafford loans sold to ED. The document is available at [www.federalstudentaid.ed.gov/ffelp/abcpqa.html](http://www.federalstudentaid.ed.gov/ffelp/abcpqa.html).

### **To learn more**

For questions, please contact Bonnie Brinkley, TG's assistant vice president of guarantee, support and reporting, at (800) 252-9743, ext. 4543, or send an e-mail message to [bonnie.brinkley@tgsic.org](mailto:bonnie.brinkley@tgsic.org).

## **Variable interest rates drop again**

ED announced last week that for two years in a row, interest rates on Stafford and PLUS loans with variable interest rates will drop. Stafford and PLUS loans first disbursed on or after July 1, 1998, and before July 1, 2006, have variable rates that reset annually on July 1, based on the last 91-day T-bill auction in May. The new rates, which will be effective from July 1, 2009, to June 30, 2010, reflect a decrease of 1.73 percent.

Note that this rate change is independent of the upcoming reduction in the fixed interest rate — from 6.0 percent to 5.6 percent — on subsidized Stafford loans for undergraduate students, effective for loans first disbursed on or after July 1, 2009, and before July 1, 2010.

### **How low will they go?**

On July 1, 2009, interest rates on federal Stafford and PLUS loans that are subject to the variable-rate provision will be as follows:

- 1.88 percent for Stafford loans during in-school, grace, and deferment periods,
- 2.48 percent for Stafford loans during repayment and forbearance, and
- 3.28 percent for parent and Grad PLUS loans in all statuses.

### **More rates to come**

ED will post a more comprehensive listing of the interest rates for all FFELP and Direct Loans, including those that were first disbursed prior to July 1, 1998, in the coming days.

Some older PLUS and Supplemental Loan for Students (SLS) loans have variable interest rates based on the weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26. As a result, new rates on such loans won't be available until late June.

Another interest rate not expected until late June is the one applicable to the Health Education Assistance Loan (HEAL) portion of federal Consolidation loans, which is based on the average of the bond equivalent rates of the 91-day T-bills auctioned for the quarter ending June 30.

## More information

ED's press release on the new interest rates is available online at <http://ifap.ed.gov/eannouncements/052709DirectLoanInterestRates.html>.

For questions about the interest rate changes, contact TG customer assistance at (800) 845-6267, or send an e-mail to [cust.assist@tgsic.org](mailto:cust.assist@tgsic.org).

## Income-Based Repayment: Not just another repayment plan

By now, many within the financial aid community have heard of Income-Based Repayment (IBR), the new student loan repayment plan that will become available to FFELP and Direct Loan borrowers beginning July 1, 2009. Financial aid administrators may be aware that IBR will benefit certain borrowers by minimizing monthly payments and by providing loan forgiveness in some cases; but the full potential of IBR to assist in default prevention has yet to become fully apparent. Educating borrowers about this repayment plan and its benefits, through the loan counseling process and other information dissemination efforts, will prove to be the key to realizing that potential.

### How IBR works

IBR is available for borrowers with Stafford, Grad PLUS, and Consolidation loans, as long as the Consolidation loan does not include a parent PLUS loan. Parent PLUS loans and any type of non-federal student loans do not qualify for IBR.

IBR will provide repayment relief to borrowers experiencing a "partial financial hardship" (PFH), which is determined using a calculation that takes into account the borrower's family size, federal student loan debt, and adjusted gross income (AGI). Specifically, PFH occurs when the annual payment amount for all of the borrower's eligible loans (as calculated under a standard 10-year repayment plan) exceeds 15 percent of the difference between the borrower's AGI and 150 percent of the poverty guideline for the borrower's family size.

The repayment term under IBR can exceed 10 years regardless of the amount of the borrower's loan debt. After 25 years (or 300 payments) in IBR, any remaining balance and accrued interest will be forgiven. As shown in the third example below, depending on the borrower's circumstances, the monthly payment amount could be \$0 — and even those \$0 "payments" count toward the required 300 payments.

- Example 1: A single borrower with no dependents, with \$40,000 in eligible student loan debt at a 6.8 percent interest rate, and with an AGI of \$30,000, would have a monthly loan payment of approximately \$170 under IBR. Under the standard repayment plan, that borrower's monthly payment would be about \$460.
- Example 2: A married borrower (and no spousal income or spousal student loan debt) with two children, with \$80,000 in eligible student loan debt at a 6.8

percent interest rate, and with an AGI of \$60,000, would have a monthly loan payment of approximately \$340 under IBR. Under the standard repayment plan, that borrower's monthly payment would be about \$920.

- Example 3: A borrower who is married with no other dependents, with \$65,000 in eligible student loan debt at a 6.8 percent interest rate, and with an AGI of \$20,000, would have a monthly loan payment of \$0 under IBR. Under the standard repayment plan, that borrower's monthly payment would be about \$748.

### **Why IBR is so important**

While it will not be a universal remedy for repayment difficulties, it is clear that IBR can provide enormous relief to borrowers in financial distress and could make the difference in a borrower successfully fulfilling his or her repayment obligations. Now more than ever, given rising student loan debt levels, the current economic climate, and the upcoming transition from two- to three-year cohort default rates, schools are concerned about identifying borrowers at risk for loan default and proactively assisting those borrowers in addressing their difficulties.

If a borrower defaults, his or her credit record is damaged and other consequences may result, such as wage garnishment, collection costs, and ineligibility for additional federal student aid. Although it may be most beneficial for borrowers with high student loan debts and relatively low incomes, IBR will also be an important tool in avoiding default for borrowers in adverse economic circumstances.

### **More information**

After IBR becomes available, borrowers may contact TG or their lenders for more information and application forms. Prior to the July 1, 2009, implementation date, borrowers experiencing financial difficulties may wish to discuss other options, such as the Economic Hardship deferment or forbearance, with their lenders.

TG offers comprehensive information about IBR through its corporate Web site, [TG Online](#). TG's Web pages answer common questions about IBR, offers particular resources to help borrowers, and includes a link to an eligibility calculator. The calculator helps a borrower determine whether he or she may qualify for IBR and, in such a case, calculates an estimated monthly payment.

The Project on Student Debt also provides a Web site which offers a wealth of information about IBR in plain, understandable terms — [www.IBRinfo.org](http://www.IBRinfo.org). The site also offers an informative, downloadable IBR brochure and a calculator to assist borrowers in determining their eligibility for IBR.

In addition, the National Council of Higher Education Loan Programs (NCHHELP) has developed a series of general as well as focused, training sessions on IBR for school and lender audiences. Recordings of these sessions are available free of charge at [www.nchelp.org/elibrary/index.cfm?parent=1985](http://www.nchelp.org/elibrary/index.cfm?parent=1985).

## Closed school corner

The following table provides a list of newly reported error corrections from the Postsecondary Educational Participants System (PEPS) and from the May 2009 *Closed School Monthly Report* supplied by ED. Schools listed are those with which TG has done business or to which TG has otherwise provided services.

### Error corrections

OPE School ID	School Name and Address	Previously Reported Closure Date	ED's Official Closure Date
02068205	<b>Lester E. Cox Medical Center</b> School of Diagnostic Medical Sonography 3801 South Nacional St. Springfield, MO 65807-5297	04/14/09	Not closed

## TG updates

### TG to host two financial literacy symposiums this summer

The ability to make smart decisions when it comes to managing money is becoming ever more important for students. Average student loan debt has doubled over the past decade, and a majority of students now have credit cards and accumulate thousands in additional debt by the time they graduate. More and more, colleges and universities are recognizing the need to teach students basic skills for financial survival and success.

TG is hosting two symposiums this summer to help schools with their financial literacy efforts. The symposiums will bring together experts from the higher education community who will discuss strategies for developing on-campus financial literacy programs. Such programs teach students crucial financial literacy skills they need to succeed in life after college.

### Mark your calendar

The first symposium will be held in Houston, Texas, on Monday, June 29, from 9:30 a.m. to 3:30 p.m., CDT. The location will be announced at a later date. Kristy Vienne, director of Sam Houston State University's Student Money Management Center, and Mark Mielke, financial aid advisor at Texas A&M University, will share their experiences creating financial literacy programs. Among other things, they will discuss:

- Developing financial literacy initiatives,
- Implementing financial literacy strategies, and
- Improving successful financial literacy programs.

The aim of the symposiums is to generate ideas and tips that professionals can use to develop a financial literacy program best-suited for their campus and students.

The second symposium will be held in Chicago, Illinois, later this summer. Look for further details in next week's *Shoptalk Online*.

### **To register**

For more information about TG's 2009 Financial Literacy Symposiums, or to register to attend the Houston event, visit *TG Online* at [www.tgslc.org/training/literacy](http://www.tgslc.org/training/literacy).

### **For questions**

To learn more about TG's upcoming symposiums, contact TG's financial literacy program manager Margie Harvey at (800) 252-9743, or send an e-mail message to [margery.harvey@tgslc.org](mailto:margery.harvey@tgslc.org).

## **TG reschedules webinars on enhanced Integrated Default Assistant™**

TG has rescheduled several webinars on the latest changes to its default management tool — the Integrated Default Assistant™ (IDA™). IDA is an online interactive application used to help schools, lenders, and servicers achieve successful default aversion goals for their TG loans.

The IDA product webinars will be offered on Monday, June 15, and Tuesday, June 16. See registration information below for times.

### **IDA's enhancements**

IDA's query feature and pre-formatted reports allow schools, lenders, and servicers to track and manage their TG cohort default rate performance by pinpointing student populations at risk of delinquency or default.

TG has added features to IDA to make the tool even more versatile and effective, including:

- Providing the ability to forecast a three-year cohort default rate for the institution's TG loans;
- Assisting schools in identifying borrowers at risk of default based on pre-defined attributes, including graduation status and academic level; and
- Offering a filter for identifying delinquent borrowers who can affect the institution's cohort default rate for TG loans.

### **Webinar times**

To help users incorporate these changes as a part of their institution's default aversion program, TG has scheduled several webinars.

- Monday, June 15, 2 p.m.–3 p.m., CDT
- Tuesday, June 16, 10 a.m.–11 a.m., CDT (repeat session)

### To attend a webinar

To participate, register for one of the listed webinars at [www.tgslc.org/training/webinars/register.cfm](http://www.tgslc.org/training/webinars/register.cfm).

### For help

For questions about IDA, please contact TG's product support team at (800) 332-1455, or send an e-mail to [product.support@tgslc.org](mailto:product.support@tgslc.org).

## Stay on top of July change to loan interest rates with TG poster

Effective July 1, 2009, the fixed interest rate for undergraduate subsidized Stafford loans (FFEL and Direct) will change. For such loans first disbursed on or after July 1, 2009, and before July 1, 2010, the rate is 5.6 percent. As this applies only to undergraduate students, the interest rate for subsidized Stafford loans for graduate students remains at 6.8 percent. The interest rate for unsubsidized Stafford loans for both undergraduate and graduate students also remains at 6.8 percent.

The interest rate on FFELP PLUS loans first disbursed on or after July 1, 2006, is fixed at 8.5 percent. This interest rate remains the same.

TG offers a poster to remind you of the new subsidized Stafford loan interest rate, the unsubsidized Stafford loan interest rate, and the PLUS interest rate. The poster is a simple and convenient way to inform borrowers of interest rates on federal student loans.

### To order

You can order the interest rate poster by visiting *TG Online* at [www.tgslc.org/order/index.cfm](http://www.tgslc.org/order/index.cfm) and selecting "School Resources" under "Financial Literacy and Default Aversion."

### To learn more

For questions about the FFELP and the latest Stafford and PLUS interest rates, contact TG's customer assistance team at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).



## This, that, and the other

Secretary of Education Arne Duncan recently announced that the U.S. Department of Education, along with the Departments of Energy and Labor, will collaborate to connect jobless Americans with job opportunities, or with training and education.

“Partnerships such as this one demonstrate how government can be a catalyst for renewal as workers reinvent themselves and learn new skills,” Duncan said in a news release issued by ED. “At the same time, the creative minds of America’s students will develop the emerging industries that feed a green economy if we support their growth.”

The Department of Energy will notify the Department of Labor as funding commitments are made and jobs created. The Department of Labor will, in turn, provide the information to local One Stop Employment Centers that connect unemployed workers with jobs, training, and education opportunities. The Department of Education will help identify the educational resources for training.

To learn more about this comprehensive initiative, read the complete press release on ED’s Web site located at [www.ed.gov/news/pressreleases/2009/05/05272009.html](http://www.ed.gov/news/pressreleases/2009/05/05272009.html).



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